

(vii) "Privileges, Permits and Rights of Way," which includes such costs incurred in obtaining these privileges, permits, or rights of way in connection with construction work, such as for use of private property, streets or highways. The cost of such privileges and permits shall be included in the cost of the work for which the privileges or permits are obtained, except for costs includable in the Land account and the Intangibles account.

(viii) "Taxes," which includes taxes properly includable in construction costs before the facilities are completed for service, which taxes are assessed separately from taxes on operating property or under conditions that permit separate identification of the amount chargeable to construction.

(ix) "Special machine service," which includes the cost of labor expended, materials and supplies consumed and other expenses incurred in the maintenance, operation and use of special and other labor saving machines (other than transportation equipment) such as trenching equipment, cable plows and pole setting trucks. Also included are expenditures for rental, maintenance and operation of such machines owned by others. When a construction job requires the purchase of special machines, the cost thereof, less the appraised or salvage value at the time of release from the job, shall be included in the cost of construction.

(x) "Insurance," which includes premiums paid specifically for protection against loss and damage in connection with the construction of cable services plant due to fire or other casualty, injury to or death of employees or others, damages to property of others, defalcations of employees and agents, and the nonperformance of contractual obligations of others.

(xi) "Construction services," which includes the cost of cable, electricity, power, construction quarters, office space and equipment directly related to the construction project.

(xii) "Indirect construction costs," which includes indirect costs such as general engineering, supervision and support. Such costs, in addition to direct supervision, shall include indirect plant operations and engineering supervision up to, but not including, supervision by executive officers whose pay and expenses are chargeable to the Executive and Planning account. The records supporting the entries for indirect construction cost shall be kept so as to show the nature of the expenditures, the individual jobs and accounts charged, and the bases of the distribution. The amounts charged to each plant account for indirect costs shall be readily determinable. The instructions contained herein shall not be interpreted as permitting the addition to plant of amounts to cover indirect costs based on arbitrary allocations.

(xiii) The cost of construction shall not include any amounts classifiable as Corporate Operations Expense.

§ 76.1134 Cable services plant in service.

This account shall include the original cost of the investment included in Accounts 1139 through 1151.

§ 76.1135 Property held for future use.

(a) This account shall include the original cost of property owned and held for no longer than two years under a definite plan for use in cable service. If at the end of two years the property is not in service, the original cost of the property shall be transferred to the Nonoperating Plant account.

(b) Subsidiary records shall be maintained to show the character of the amounts carried in this account.

§ 76.1136 Cable services plant adjustment.

(a) This account shall include amounts determined in accordance with § 1133(b) of this subpart representing the difference between

(1) the fair market value of the cable services plant acquired, plus preliminary expenses incurred in connection with the acquisition; and

(2) the original cost of such plant, governmental franchises and similar rights acquired, less the amounts of reserve requirements for depreciation and amortization of the property acquired. If the actual original cost is not known, the entries in this account shall be based upon an estimate of such costs.

(b) The amounts recorded in this account with respect to each property acquisition (except land and artworks) shall be disposed of, written off, or provision shall be made for the amortization thereof, as follows:

(1) Debit amounts may be charged to, in whole or in part, or amortized over a reasonable period through charges to the Other Nonoperating Income Account. When the provisions of paragraph (b)(3) of this section apply, debit amounts shall be amortized to the Amortization Expense--Other account.

(2) Credit amounts shall be disposed of in such manner as this Commission may approve or direct, except for credit amounts referred to in paragraph (b)(3) of this section.

(3) Within one year from the date of inclusion in this account of a debit or credit amount with respect to a current acquisition, the company may dispose of the total amount from an acquisition of cable services plant by a lump-sum charge or credit, as appropriate, to the Amortization Expense - Other account without further approval of this Commission, provided that such amount does not exceed \$100,000 and that the plant was not acquired from an affiliated company.

§ 76.1137 Nonoperating plant.

(a) This account shall include the company's investment in regulated property which is not includable in the plant accounts as operating cable services plant. It shall include the company's investment in cable services property held for sale.

(b) Subsidiary records shall be maintained to show the character of the amounts carried in this account.

§ 76.1138 Goodwill.

This account shall include any portion of the plant purchase price that cannot be assigned to specifically identifiable property acquired and such amount should be identified as "goodwill".

§ 76.1139 Land.

(a) This account shall include the original cost of all land held in fee and of easements, and similar rights in land having a term of more than one year used for purposes other than the location of outside plant. It shall also include special assessments upon land for the construction of public improvements.

(b) When land, together with buildings thereon, is acquired, the original cost shall be fairly apportioned between the land and the buildings and accounted for accordingly. If the plan of acquisition contemplates the removal of buildings, the total cost of the land and buildings shall be accounted for as the cost of the land, and the salvage value of the buildings when disposed of shall be deducted from the cost of the land so determined.

(c) Annual or more frequent payments for use of land shall be recorded in the rent subsidiary record category for the Land and Building Expense.

(d) When land is acquired for which there is not a definite plan for its use in cable service, its costs shall be included in the Nonoperating Plant account.

(e) When land is acquired in excess of that required for cable purposes, the cost of such excess land shall be included in the Nonoperating Plant account.

(f) Installments of assessments for public improvement, including interest, if any, which are deferred without option to the company shall be included in this account only as they become due and payable. Interest on assessments which are not paid when due shall be included in the Interest and Related Items account.

§ 76.1140 Buildings.

(a) This account shall include the original cost of buildings, and the cost of all permanent fixtures, machinery, appurtenances and appliances installed as a part thereof. It shall include costs incident to the construction or purchase of a building and to securing possession and title.

(b) When land, together with the buildings thereon, is acquired, the original cost shall be fairly apportioned between the land and buildings, and the amount applicable to the buildings shall be included in this account. The amount applicable to the land shall be included in the Land account.

(c) This account shall not include the cost of any cable services equipment or wiring apparatus for generating or controlling electricity for operating the cable system.

§ 76.1141 Head End Equipment.

This account shall include the original cost of head end equipment. It shall include the original cost of towers and antennas comprising the headend tower assemblies or arrays, headend receiving and signal processing equipment, all power supply and distribution equipment serving as or associated with the prime source of power used in headend operations, and miscellaneous equipment devoted to general station use.

§ 76.1142 Distribution system.

(a) This account shall include the following:

(1) The original cost installed of towers and poles together with appurtenant fixtures used for supporting overhead distribution conductors and service wires;

(2) The original cost installed of underground conduit and tunnels used for housing distribution cables or wires.

(3) The original cost installed of conductors and devices for distribution purposes.

(4) The original cost of all power supply and distribution equipment serving as or associated with the prime source of power used in signal distribution. This account shall include also the cost of power rectifiers

or motor generator installations (not forming an integral part of the transmitting or head end stations) that are provided as a source of power for the distribution system.

§ 76.1143 Drops

This account shall include the original cost of overhead and underground conductors leading from the pressure tap to the point of connection with the customers outlet or wiring. This account includes conduit used for underground service conductors.

§ 76.1144 Production equipment.

This account shall include the original cost of all production equipment owned by the reporting company that is used for the production of programming, including public, educational, and governmental access and local origination programming.

§ 76.1145 Customer premises equipment.

This account shall include the original cost of equipment on customers' premises, leased or loaned to customers, but not including property held for sale. This account also shall include the cost installed of equipment on customer's premises when the reporting company incurs such cost and when the reporting company retains title to and assumes full responsibility for maintenance and replacement of such property.

§ 76.1146 Maintenance and warehouse equipment.

(a) This account shall include the original cost of the following:

(1) Motor vehicles of the type which are designed and routinely licensed to operate on public streets and highways.

(2) Special purpose vehicles.

(3) Tools and equipment used to maintain items included in subsection (1), (2) and (4) of this section.

(4) Power operated equipment, general purpose tools and other items of work equipment.

§ 76.1147 Furniture.

This account shall include the original cost of furniture in offices, storerooms, shops, and all other quarters. This account shall also include the cost of objects which possess aesthetic value, are of original or limited edition, and do not have a determinable useful life. The cost of any furniture attached to and constituting a part of a building shall be charged to the Buildings account.

§ 76.1148 Office equipment.

This account shall include the original cost of office equipment in offices, shops and all other quarters. The cost of any equipment attached to and constituting a part of a building shall be charged to the Building account.

§ 76.1149 Capital leases.

(a) This account shall include all property acquired under a capital lease. A lease qualifies as a capital lease when one or more of the following criteria is met:

(1) By the end of the lease term, ownership of the leased property is transferred to the lessee.

(2) The lease contains a bargain purchase option.

(3) The lease term is substantially (75% or more) equal to the estimated useful life of the leased property. However, if the beginning of the lease term falls within the last 25% of the total estimated economic life of the leased property, including earlier years of use, this criterion shall not be used for purposes of classifying the lease.

(4) At the inception of the lease, the present value of the minimum lease payments, excluding that portion of the payments representing executory costs to be paid by the lessor, including any profit thereon, equals or exceeds 90% or more of the fair value of the leased property. However, if the beginning of the lease term falls within the last 25% of the total estimated economic life of the leased property, including earlier years of use, this criterion shall not be used for purposes of classifying the lease.

(b) All other leases are operating leases.

(c) The amounts recorded in this account at the inception of a capital lease shall be equal to the original cost, if known, or to the present value not to exceed fair value, at the beginning of the lease term, of minimum lease payments during the lease term, excluding that portion of the payments representing executory costs to be paid by the lessor, together with any profit thereon.

§ 76.1150 Leasehold improvements.

(a) This account shall include the original cost of leasehold improvements made to cable services plant held under a capital or operating lease, which are subject to amortization treatment. This account shall also include those improvements which will revert to the lessor.

(b) Improvements to leased cable services plant which are of a relatively minor cost or short life or for which the period of the lease is one year or less shall be charged to the account chargeable with the cost of repairs to such plant.

(c) Amounts contained in this account shall be amortized over the term of the related lease.

§ 76.1151 Intangibles.

(a) This account shall include the cost of organizing and incorporating the company, the original cost of government franchises, the original cost of patent rights, and other intangible property having a life of more than one year and used in connection with the company's cable operations.

(b) Subsidiary records for this account shall include a description of each class of intangible property.

(c) The cost of other intangible assets having a life of one year or less shall be charged directly to the Amortization Expense--Intangible account. Such intangibles acquired at small cost may also be charged to the Amortization Expense - Intangibles account, irrespective of their term of life.

(d) This account shall not include any discounts on securities issued, nor shall it include costs incident to negotiating loans, selling bonds or other evidences of debt, or expenses in connection with the authorization, issuance, sale or resale of capital stock.

(e) When charges are made to this account for expenses incurred in mergers, consolidations, or reorganizations, amounts previously included in this account on the books of the various companies concerned shall not be carried over.

(f) Franchise taxes payable annually or more frequently shall be charged to Operating Taxes account.

(g) This account shall not include the cost of plant, material and supplies, or equipment furnished to municipalities or other governmental authorities when given other than as initial consideration for franchises or similar rights.

(h) This account shall not include the original cost of easements, rights of way, and similar rights in land having a term of more than one year. Such amounts shall be recorded in the Land account, or in the appropriate outside plant account.

§ 76.1152 Accumulated depreciation.

(a) This account shall include the accumulated depreciation associated with the investment contained in Cable Services Plant in Service account.

(b) This account shall be credited with depreciation amounts concurrently charged to the Depreciation Expense--Cable Services Plant in Service account.

(c) At the time of retirement of depreciable operating cable services plant, this account shall be charged with the original cost of the property, retired plus the cost of removal and credited with the salvage value and any insurance proceeds recovered.

(d) This account shall be credited with amounts charged to the Deferred Maintenance and Retirements account. This account shall be credited with amounts charged to the Depreciation Expense - Cable Services Plant in Service account with respect to other than relatively minor losses in service values suffered through terminations of service when charges for such terminations are made to recover the losses.

§ 76.1153 Accumulated depreciation held for future use.

(a) This account shall include the accumulated depreciation associated with the investment contained in the Property Held for Future Use account.

(b) This account shall be credited with amounts concurrently charged to the Depreciation and Amortization Expenses account.

§ 76.1154 Accumulated depreciation--non-operating.

(a) This account shall include the accumulated amortization and depreciation associated with the investment contained in the Nonoperating Plant account.

(b) This account shall be credited with amortization and depreciation amounts concurrently charged to the Nonoperating Income and Expense account.

(c) When nonoperating plant not previously used in cable service is disposed of, this account shall be charged with the amount previously credited hereto with respect to such property and the book cost of the property so retired less the amount chargeable to this account and less the value of the salvage recovered or the proceeds from the sale of the property shall be included in the Nonoperating Income and Expense account. In case the property had been used in cable service previous to its inclusion in the Nonoperating Plant account, the amount accrued for depreciation thereon after its retirement from cable service shall be charged to this account and credited to the Accumulated Depreciation account, and the accounting for its retirement

from the Nonoperating Plant account shall be in accordance with that applicable to cable services plant retired.

§ 76.1155 Accumulated amortization--capitalized leases.

(a) This account shall include the accumulated amortization associated with the investment contained in the Capital Leases account.

(b) This account shall be credited with amounts for the amortization of capital leases concurrently charged to the Amortization Expense--Tangible account. (Note also the Accumulated Depreciation--Nonoperating account.)

(c) When any item carried in the Capital Leases account is sold, is relinquished, or is otherwise retired from service, this account shall be charged with the cost of the retired item. Remaining amounts associated with the item shall be debited to the Nonoperating Income and Expense account.

§ 76.1156 Accumulated amortization--leasehold improvements.

(a) This account shall include the accumulated amortization associated with the investment contained in the Leasehold Improvements account.

(b) This account shall be credited with amounts for the amortization leasehold improvements concurrently charged to the Amortization Expense--Tangible account. (Note also the Accumulated Depreciation--Nonoperating account.)

(c) When any item carried in the Leasehold Improvements account is sold, is relinquished, or is otherwise retired from service, this account shall be charged with the cost of the retired item. Remaining amounts associated with the item shall be debited to the Nonoperating Income and Expense account.

§ 76.1157 Accumulated amortization--intangible.

(a) This account shall include the accumulated amortization associated with the investment contained in the Intangibles account.

(b) This account shall be credited with amortization amounts concurrently charged to the Amortization Expense--Intangible account. (Note also the Accumulated Depreciation--Nonoperating account.)

(c) When any item carried in the Intangibles account is sold, relinquished, or otherwise retired from service, this account shall be charged with the cost of the retired item. Remaining amounts associated with the item shall be debited to the Nonoperating Income and Expense account.

§ 76.1158 Accumulated amortization--other.

(a) This account shall include the accumulated amortization associated with the investment contained in the Plant Adjustment account.

(b) This account shall be credited with amortization amounts concurrently charged to the Amortization Expense--Other. (Note also the Accumulated Depreciation--Nonoperating account.)

(c) When any item carried in the Plant Adjustment account is sold, relinquished, or otherwise retired from service, this account shall be charged with the cost of the retired item. Remaining amounts associated with the item shall be debited to the Nonoperating Income and Expense account.

§ 76.1159 Accounts payable.

(a) This account shall include all amounts currently due to others for recurring trade obligations, and not provided for in other accounts, such as those for material and supplies, repairs to cable services plant, matured rents, and interest payable under monthly settlements on short-term loans,

advances, and open accounts. It shall also include amounts of taxes payable that have been withheld from employees' salaries.

(b) Subsidiary record categories shall be maintained for this account in order that the company may separately report the amounts contained herein that relate to nonaffiliates and affiliates.

(c) There shall be included herein accounts payable arising from sharing of revenues.

§ 76.1160 Notes payable.

(a) This account shall include the face amount of notes, drafts, and other evidences of indebtedness issued or assumed by the company (except interest coupons) which are payable on demand or not more than one year or less from date of issue.

(b) Subsidiary record categories shall be maintained for this account in order that the company may separately report the amounts contained herein that relate to nonaffiliates and affiliates.

(c) If any part of an obligation, otherwise includable in this account matures more than one year from date of issue, it shall be included in the Funded Debt account, the Advances from Affiliated Companies account, or other appropriate account.

(d) The records supporting the entries to this account shall be kept so that the company can furnish complete details as to each note, when it is issued, the consideration received, and when it is payable.

§ 76.1161 Advance billing and payments.

This account shall include the amount of advance billing creditable to revenue accounts in future months; also advance payments made by prospective customers prior to the establishment of service. Amounts included in this account shall be credited to the appropriate revenue accounts in the months in which the service is rendered or cleared from this account as refunds are made.

§ 76.1162 Customers' deposits.

(a) This account shall include the amount of cash deposited with the company by customers as security for the payment for cable services.

(b) Advance payments made by prospective customers prior to the establishment of service shall be credited to the Advance Billing and Payments account.

§ 76.1163 Current maturities--long-term debt.

This account shall include the amount (including any obligations for premiums) of long-term debt matured and unpaid without any specific agreement for extension of maturity, including unrepresented bonds drawn for redemption through the operation of sinking and redemption fund agreements.

§ 76.1164 Current maturities--capital leases.

This account shall include the current portion of obligations applicable to property obtained under capital leases.

§ 76.1165 Income taxes--accrued.

(a) This account shall be credited or charged with the offsetting amount of current year income taxes (Federal, state and local) accrued during the period or adjustments to prior accruals.

(b) If significant, current year income taxes paid in advance shall be reclassified to the Prepayments account.

§ 76.1166 Other taxes--accrued.

(a) This account shall be credited or charged and the Operating Taxes account, or the Nonoperating Taxes account, or, for payroll related costs, the appropriate expense accounts shall be charged or credited for all taxes, other than Federal, State and local income taxes, accrued or adjusted for previous accruals during the period. Among the taxes includable in this account are property, gross receipts, franchise, capital stock, social security and unemployment taxes.

(b) Taxes paid in advance of the period in which they are chargeable to income shall be included in the Prepayments account or the Other Noncurrent Assets account, as appropriate.

§ 76.1167 Net current deferred operating income taxes.

(a) This account shall include the balance of income tax expense related to current items from regulated operations which have been deferred to later periods as a result of the normalized method of accounting for tax differentials authorized by this Commission and not provided for elsewhere.

(b) As regulated assets or liabilities which generated the deferred income tax are reclassified from long-term or noncurrent status to current, the appropriate deferred income tax shall be reclassified from the Net Noncurrent Deferred Operating Income Taxes account, to this account.

(c) This account shall be debited or credited with the amount being debited or credited to the Provision for Deferred Operating Income Taxes--Net account.

(d) The classification of deferred income taxes as current or noncurrent shall follow the classification of the asset or liability that gave rise to the deferred income tax. If there is no related asset or liability, classification shall be based on the expected turnaround of the tax timing difference.

(e) Subsidiary record categories shall be maintained in order that the company may separately report the amounts contained herein that are property related and those that are nonproperty related.

§ 76.1168 Net current deferred nonoperating income taxes.

(a) This account shall include the balance of income tax expense resulting from comprehensive interpreted tax allocation which has been deferred to later periods.

(b) As other assets or liabilities which generated the deferred income tax are reclassified from long-term or noncurrent status to current, the appropriate deferred income tax shall be reclassified from the Net Noncurrent Deferred Nonoperating Income Taxes account, to this account.

(c) This account shall be debited or credited with the amount being credited or debited to the Provision for Deferred Nonoperating Income Taxes--Net account.

(d) This account shall also include the balance of the income taxes (Federal, state and local) related to current extraordinary items which have been deferred to later periods resulting from comprehensive interperiod tax allocation.

(e) As the extraordinary item which generated the deferred income tax becomes current, the appropriate deferred income tax shall be reclassified

from the Net Noncurrent Deferred Nonoperating Income Taxes account, to this account.

(f) This account shall be debited or credited with the amount being credited and debited to the Extraordinary Items account.

(g) The classification of deferred income taxes as current or noncurrent shall follow the classification of the asset or liability that gave rise to the deferred income tax. If there is no related asset or liability, classification shall be based on the expected turnaround.

(h) Subsidiary record categories shall be maintained in order that the company may separately report the amounts contained herein that are property related and those that are nonproperty related.

§ 76.1169 Other accrued liabilities.

(a) This account shall include the amount of wages, compensated absences, interest on indebtedness of the company, dividends on capital stock, and rents accrued to the date for which the balance sheet is made, but not payable until after that date.

(b) This account shall be maintained so as to show separately the amount and nature of the items accrued to the date of the balance sheet.

(c) Matured rents, dividends and interest shall be included in the Accounts Payable account.

(d) Interest payable under monthly settlements on short-term loans, advances, and open accounts shall be included in the Accounts Payable account.

§ 76.1170 Other current liabilities.

This account shall include liabilities of current character which are not includable in Accounts 1160 through 1169.

§ 76.1171 Funded debt.

(a) This account shall include the total face amount of unmatured debt, maturing more than one year from date of issue, issued by the company and not retired, and the total face amount of similar unmatured debt of other companies, the payment of which has been assumed by the company, including funded debt the maturity of which has been extended by specific agreement.

(b) This account shall include such items as mortgage bonds, collateral trust bonds, income bonds, convertible debt, debt securities with detachable warrants and other similar obligations maturing more than one year from date of issue.

(c) In the case of debt securities with detachable warrants this account shall include only the face amount of the security at the time of issuance. The value of detachable warrants shall be charged to either the Premium on Long-Term Debt account, or the Discount on Long-Term Debt account, as appropriate, and credited to the Additional Paid-in Capital account, in the case of capital stock warrants or retained in this account as a separately identifiable amount in the case of detachable long-term debt warrants. No similar allocation shall be made for the issuance of either convertible debt or debt securities with non-detachable warrants.

(d) Subsidiary records shall be maintained for each issue.

(e) Securities maturing in one year or less, including securities maturing serially, shall be included in the Current Maturities--Long-Term Debt account.

(f) Investment advances, including those represented by notes, shall be included in the Other Long-Term Debt account.

§ 76.1172 Premium on long-term debt.

(a) This account shall include the premium associated with all classes of long-term debt. Premium, as applied to securities issued or assumed by the company, means the excess of the current money value received at their sale over the sum of their book or face amount and interest or dividends accrued at the date of the sale.

(b) Amounts included in this account shall be amortized monthly by the interest method and credited to the Interest and Related Items account.

(c) Subsidiary records shall be maintained to identify the premium attributable to each issue.

§ 76.1173 Discount on long-term debt.

(a) This account shall include the discount associated with all classes of long-term debt. Discount, as applied to securities issued or assumed by the company, means the excess of the book or face amount of the securities plus interest or dividends accrued at the date of the sale over the current money value of the consideration received at their sale.

(b) Amounts included in this account shall be amortized monthly by the interest method and charged to the Interest and Related Items account.

(c) Subsidiary records shall be maintained to identify the discount attributable to each issue.

§ 76.1174 Reacquired debt.

This account shall include the face amount of debt reacquired prior to maturity that has not been retired. Gain or loss shall be recognized at the time of reacquisition by credits or charges to the Nonoperating Income and Expense account, except that material gains or losses shall be treated as extraordinary. (See Extraordinary Income Credits account and Extraordinary Items account.)

§ 76.1175 Obligations under capital leases.

(a) This account shall include the noncurrent portion of obligations applicable to property obtained under capital leases.

(b) Amounts subject to current settlement shall be included in the Current Maturities--Capital Leases account.

§ 76.1176 Advances from affiliated companies.

(a) This account shall include the amount of advances from affiliated companies.

(b) Amounts due affiliated companies which are subject to current settlement shall be included in the Notes Payable account or the Accounts Payable account, as appropriate.

§ 76.1177 Other long-term debt.

This account shall include long-term debt not provided for elsewhere.

§ 76.1178 Other long-term liabilities.

(a) This account shall include amounts accrued to provide for such items as unfunded pensions (if actuarially determined), death benefits, deferred compensation costs and other long-term liabilities not provided for elsewhere.

(b) Subsidiary records shall be maintained to identify the nature of the items included herein.

§ 76.1179 Unamortized operating investment tax credits--net.

(a) This account shall be credited and the Operating Taxes account shall be debited with investment tax credits generated from qualified expenditures related to regulated operations which the company defers rather than recognizes currently in income.

(b) This account shall be debited and the Operating Taxes account credited with a proportionate amount determined in relation to the period of time used for computing book depreciation on the property to which the tax credit relates.

§ 76.1180 Unamortized nonoperating investment tax credits--net.

(a) This account shall be credited and the Nonoperating Taxes account, shall be debited with investment tax credits generated from qualified expenditures related to other operations which the company has elected to defer rather than recognize currently in income.

(b) This account shall be debited and the Nonoperating Taxes account credited with a proportionate amount determined in relation to the useful book life of the property to which the tax credit relates.

§ 76.1181 Net noncurrent deferred operating income taxes.

(a) This account shall include the balance of income tax expense related to noncurrent items from regulated operations which have been deferred to later periods as a result of comprehensive interperiod tax allocation related to timing differences that arise from regulated operations.

(b) This account shall be credited or debited, as appropriate, and the Operating Taxes account shall reflect the offset for the tax effect of revenues and expenses from regulated operations which have been included in the determination of taxable income, but which will not be included in the determination of book income or for the tax effect of revenues and expenses from regulated operations which have been included in the determination of book income prior to the inclusion in the determination of taxable income.

(c) As regulated assets or liabilities which generated the prepaid income tax or deferred income tax are reclassified from long-term or noncurrent status to current status, the appropriate deferred income tax shall be reclassified from this account to the Net Current Deferred Operating Income Taxes account.

(d) The classification of deferred income taxes as current or noncurrent shall follow the classification of the asset or liability that gave rise to the deferred income tax. If there is no related asset or liability, classification shall be based on the expected turnaround of the tax timing difference.

(e) Subsidiary record categories shall be maintained in order that the company may separately report the amounts contained herein that are property related and those that are nonproperty related.

§ 76.1182 Net noncurrent deferred nonoperating income taxes.

(a) This account shall include the balance of income tax expense (Federal, state and local) that has been deferred to later periods as a result of comprehensive interperiod tax allocation related to nonoperating timing differences.

(b) This account shall be credited or debited, as appropriate, and the Nonoperating Taxes account, shall reflect the offset for the tax effect of

revenues from other operations and extraordinary items and nonoperating expense which have been included in the determination of taxable income, but which will not be included in the determination of book income or for the tax effect of nonoperating expenses and extraordinary items and nonoperating income which have been included in the determination of book income prior to the inclusion in the determination of taxable income.

(c) As other assets or liabilities which generated the prepaid income tax or deferred income tax are reclassified from long-term or non-current status to current status, the appropriate deferred income tax shall be reclassified from this account to the Net Current Deferred Nonoperating Income Taxes account.

(d) This account shall also include the balance of the income tax effect (Federal, State and local) related to noncurrent extraordinary items which have been included in the determination of taxable income in a period different from when it is included in the determination of book income, that is, more than one year.

(e) This account shall be charged or credited with the contra amount recorded to the Extraordinary Items account.

(f) As the extraordinary item which generated the deferred income tax becomes current, the appropriate deferred income tax shall be reclassified from this account to the Net Current Deferred Nonoperating Income Taxes account.

(g) The classification of deferred income taxes as current or noncurrent shall follow the classification of the asset or liability that gave rise to the deferred income tax. If there is no related asset or liability, classification shall be based on the expected turnaround of the tax timing difference.

(h) Subsidiary record categories shall be maintained in order that the company may separately report the amounts contained herein that are property related and those that are nonproperty related.

§ 76.1183 Other deferred credits.

This account shall include the amount of all deferred credits not provided for elsewhere, such as amounts awaiting adjustment between accounts; and revenue, expense, and income items in suspense.

§ 76.1184 Capital stock

(a) This account shall include the par value, stated amount, or in the case of no-par stock, the amount received for capital stock issued and outstanding.

(b) Subsidiary records shall be maintained so as to show separately each class of stock.

(c) This account shall be charged with the book amount of any stock retired.

§ 76.1185 Additional paid-in capital.

(a) This account shall include the difference between the net proceeds (including discount, premium and stock issuance expense) received from the issuance of capital stock and the amount includable in the Capital Stock account, unless such difference results in a debit balance for that class of stock, in which case the amount shall be charged to the Retained Earnings account.

(b) This account shall also include gains arising from the retirement and cancellation of capital stock. Losses from the retirement and

cancellation of capital stock shall be charged to this account to the extent that there exist credits in this account for the same class of stock; otherwise to the Retained Earnings account.

§ 76.1186 Treasury stock.

This account shall include the cost of the company's own capital stock which has been issued and subsequently reacquired but not retired or resold.

§ 76.1187 Other capital.

This account shall include amounts which are credits arising from the donation by stockholders of the company's capital stock, capital recorded upon the reorganization or recapitalization of the company and temporary declines in the value of marketable securities held for investment purposes. (See also the Investment in Affiliated Companies account.)

§ 76.1188 Retained earnings.

(a) This account shall include the undistributed balance of retained earnings derived from the operations of the company and from all other transactions not includable in the other accounts appropriate for inclusion of stockholders' equity.

(b) Subsidiary records shall be maintained wherein are recorded all entries to retained earnings during the year such that the detail of the entries may be disclosed to the Commission.

§ 76.1189 Instructions for Revenue Accounts.

(a) *Purpose of revenue accounts.* The revenue accounts are intended to include the actual cash inflows (or equivalents) that have or will occur as a result of the company's ongoing major or central operations during the period. They will include the revenues which arise from furnishing regulating cable services such as basic cable services, cable programming services, equipment and installation, and nonregulated cable services such as pay per view, and pay per channel services.

(b) *Deductions from revenue.* Corrections of overcharges, authorized refunds of overcollections previously credited to revenue, authorized refunds and adjustments on account of failure in service, and other corrections shall be charged to the revenue account previously credited with the amounts involved.

(c) *Commissions.* Commissions paid to others or employees in place of compensation or salaries for services rendered shall be charged to the Customer Services account, and not to the revenue accounts.

(d) *Revenue recognition.* Credits shall be made to the appropriate revenue accounts when such revenue is actually earned. When the billing cycle encompasses more than one accounting period, adjustments are necessary to properly recognize the revenue applicable to the current accounting period under report. Revenues recorded under the terms of two-tier contracts or other variable payment plans should be deferred, if necessary, and recognized ratably with expenses over the term of related contract. Any amounts deferred shall be credited to the Other Deferred Credits account.

(e) *Structure of revenue accounts.*

(1) The revenue section of the system of accounts shall be organized by revenue group summary account, account and subsidiary record category (if required).

(2) The revenue section of this system of accounts shall be comprised of five major groups--Basic Service Revenues, Cable Programming Service Revenues, Equipment and Installation Revenues, Nonregulated Cable

Programming Service Revenues, Other Cable Revenues, Noncable Revenues, and Uncollectible Revenues.

(3) Summary accounts within revenue groups shall be used to describe aggregations of two or more accounts having a certain commonality.

§ 76.1190 Basic service tier revenues.

(a) This account shall report all revenues derived from the provision basic cable service as defined by § 76.901(a) of this Part. These revenues shall include:

- (1) Revenues derived from subscriptions to basic cable;
- (2) Revenues derived from advertising on channels carried on the basic cable service tier; and
- (3) Other revenues derived from basic cable services.

§ 76.1191 Cable programming services revenues.

(a) This account shall report all revenues derived from the provision cable programming services as defined by § 76.901(b) of this Part. These revenues shall include:

- (1) Revenues derived from subscriptions to cable programming services;
- (2) Revenues derived from advertising on channels carried on the cable programming services tiers; and
- (3) Other revenues derived from cable programming services.

§ 76.1192 Equipment and installation revenues.

(a) This account shall include all revenues derived from the following activities:

- (1) Customer service installation fees.
- (2) Lease of basic converters.
- (3) Lease of one-way addressable converters.
- (4) Lease of two-way addressable converters.
- (5) Lease of remotes.

76.1193 Nonregulated cable programming services.

(a) This account shall include all revenues from the provision of any cable service other than basic cable service and cable programming service, such as, per-channel or per-program premium services. These revenues shall include:

- (1) Revenues derived from subscriptions to other cable programming services;
- (2) Revenues derived from advertising on channels carried on other cable programming services; and
- (3) Other revenues derived from other cable programming services.

76.1194 Other cable revenues.

This account shall include all revenues that are derived from the provision of cable services that are not derived from basic cable services, cable programming services or nonregulated cable programming services. Other cable revenues include revenues from leased access, billing and collection services, studio equipment engineering and rental services, sale of equipment, and maintenance of equipment sold to customers.

§ 76.1195 Uncollectible revenue--cable services.

This account shall be charged with amounts concurrently credited to the Receivable Allowances--Cable Services account.

§ 76.1196 Uncollectible revenue--other.

This account shall be charged with amounts concurrently credited to the Other Accounts Receivable account or the Accounts Receivable Allowance--Other account, when such allowance is maintained.

§ 76.1197 Instructions for Expense Accounts.

(a) Structure of the expense accounts.

(1) The expense section of the system of accounts shall be organized by expense group summary account, and subsidiary record category (if required).

(2) The expense section of this system of accounts shall be comprised of four major expense groups--Plant Specific Operations, Plant Nonspecific Operations, Customer Operations and Corporate Operations. Expenses to be recorded in Plant Specific and Plant Nonspecific Operations Expense Groups generally reflect cost associated with the various kinds of equipment identified in the plant asset accounts. Expenses to be recorded in the Customer Operations and Corporate Operations accounts reflect the costs of, or all associated with, functions performed by people, irrespective of the organization in which any particular function is performed.

(3) Summary accounts within expense groups shall be used to describe aggregations of two or more accounts having a certain commonality.

(b) Plant Specific Operations Expense.

(1) The Plant Specific Operations Expense Accounts are used to record costs related to specific kinds of cable services plant.

(2) The Plant Specific Operations Expense accounts predominantly mirror the cable services plant in service detail accounts and are numbered consistently with them; the first two digits of the expense account being one, eight (18) and the remaining digits being the same as the last two numbers of the related plant account. In classifying Plant Specific Operations expenses, the text of the corresponding plant account should be consulted to ensure appropriateness.

(3) The Plant Specific Operations Expense accounts shall include the costs of inspecting, testing and reporting on the condition of cable plant to determine the need for repairs, replacements, rearrangements and changes; performing routine work to prevent trouble, replacing items of plant other than retirement units; rearranging and changing the location of plant not retired; repairing material for reuse; restoring the condition of plant damaged by storms, floods, fire or other casualties (other than the cost of replacing retirement units); inspecting after repairs have been made; and receiving training to perform these kinds of work. Also included are the costs of direct supervision (immediate or first-level) and office support of this work.

(4) In addition to the activities specified in paragraph (b)(3) of this section, the appropriate Plant Specific Operations Expense accounts shall include the cost of personnel whose principal job is the operation of plant equipment. However, when the operation of equipment is performed as part of other identifiable functions (such as the use of office equipment, capital tools or motor vehicles) the operators' cost shall be charged to accounts appropriate for those functions.

(c) **Plant Nonspecific Operations Expense.** The Plant Nonspecific Operations Expense accounts shall include expenses related to property held for future use, provisioning expenses, and depreciation and amortization expenses. Accounts in this group shall include the costs of performing activities described in narratives for individual accounts. These costs shall also include the costs of supervision and office support of these activities.

(d) **Customer Operations Expense.** The Customer Operations Expense accounts shall include the cost of performing customer related marketing and services activities described in narratives for individual accounts. These costs shall also include the costs of supervision, office support and training for these activities.

(e) **Corporate Operations Expense.** The Corporate Operations Expense accounts shall include the costs of performing executive and planning activities and general and administrative activities described in narratives for individual accounts. These costs shall also include the costs of supervision, office support and training for these activities.

(f) **Expense matrix.** The expense accounts shall be maintained by the following subsidiary record categories, as appropriate to each account.

(1) **Salaries and wages.** This subsidiary record category shall include compensation to employees, such as; wages, salaries, commissions, bonuses, incentive awards and termination payments.

(2) **Benefits.** This subsidiary record category shall include payroll related benefits on behalf of employees such as the following:

- Pensions
- Savings plan contributions (company portion)
- Worker's compensation required by law
- Life, hospital, medical, dental, and vision plan insurance
- Social Security and other payroll taxes

(3) **Rents.**

(i) This subsidiary record category shall include amounts paid for the use of real and personal operating property. Amounts paid for real property shall be included in Land and Buildings Expense account. This category includes payments for operating leases but does not include payments for capital leases.

(ii) This subsidiary record category is applicable only to the Plant Specific Operations Expense accounts. Incidental rents, e.g., short-term rental car expense, shall be categorized as Other Expenses (see paragraph (f)(4) of this section) under the account which reflects the function for which the incidental rent was incurred.

(4) **Other expenses.** This subsidiary record category shall include costs which cannot be classified to the other subsidiary record categories. Included are material and supplies, including provisioning (note also the Provisioning Expense account); contracted services; accident and damage payments, insurance premiums; traveling expenses and other miscellaneous costs.

(5) **Clearances.** This subsidiary record category shall include amounts transferred to Construction accounts (see § 76.1133 (c)(2)(iii)), the Other Plant Specific Operations Expense account, and/or the Accumulated Depreciation account, as appropriate, from the Maintenance and Warehouse Equipment account.

(g) **Reimbursements.** Reimbursements of actual costs incurred in connection with joint operations or projects repairing plant due to damages by others, and obligations to make changes in cable plant (such as highway relocations), shall be credited to the accounts originally charged.

§ 76.1198 Property held for future use expense.

This account shall include expenses associated with property held for future use.

§ 76.1199 Land and building expense.

This account shall include expenses associated with land and buildings (excluding amortization of leasehold improvements). This account shall also include janitorial service, cleaning supplies, water, sewage, fuel and guard service, and electrical power.

§ 76.1200 Head end equipment expense.

This account shall be charged only with expenses incurred in connection with head end equipment.

§ 76.1201 Distribution system expense.

This account shall be charged only with expenses incurred in connection with the distribution system.

§ 76.1202 Drops expense

This account shall be charged only with expenses incurred in connection with drops.

§ 76.1203 Production equipment expense.

This account shall be charged only with expenses incurred in connection with production equipment.

§ 76.1204 Customer premises equipment expense.

This account shall be charged only with expenses incurred in connection with customer premises equipment.

§ 76.1205 Maintenance and warehouse equipment expense.

(a) This account shall be charged only with expenses incurred in connection with maintenance and warehouse equipment. These expenses shall include:

(1) Motor vehicle expenses such as the costs of fuel, lubrications, license and inspection fees, washing, repainting, and minor accessories. Also included are the costs of personnel whose principal job is operating motor vehicles, such as chauffeurs and shuttle bus drivers. The costs of users of motor vehicles whose principal job is not the operation of motor vehicles shall be charged to accounts appropriate for the activities performed. Credits shall be made to this account for amounts transferred to Construction and/or to other Plant Specific Operations Expense accounts. These amounts shall be computed on the basis of direct labor hours.

(2) Special purpose vehicles expenses such as the costs of fuel, licenses and inspection fees, washing, repainting, and minor accessories. The costs of operators of this equipment shall be charged to accounts appropriate

for the activities performed. Credits shall be made to this account for amounts transferred to Construction and/or to other Plant Specific Operations Expense accounts. These amounts shall be computed on the basis of direct labor hours.

(3) Garage work and equipment expenses.

(4) Other work equipment expenses. Credits shall be made to this account for amounts transferred to Construction and/or to other Plant specific Operations Expense accounts. These amounts shall be computed on the basis of direct labor hours.

§ 76.1206 Furniture and artworks expense.

This account shall include expenses associated with furniture and artworks.

§ 76.1207 Office equipment expense.

This account shall be charged only with costs incurred in connection with the office equipment itself. The costs of operators of this equipment shall be charged to accounts appropriate for the activities performed.

§ 76.1208 Basic cable programming expenses.

This account shall be used for reporting purposes to summarize Accounts __ 1209 through 1213.

§ 76.1209 Basic cable satellite programming expenses

This account shall include all expenses associated with procuring satellite programming on the basic cable tier.

§ 76.1210 Retransmission consent expenses.

This account shall include all expenses associated with retransmission consent on the basic tier.

§ 76.1211 Public, educational, governmental access expense

This account shall include all expenses associated with public, educational, and governmental access.

§ 76.1212 Local origination expense.

This account shall include all expenses associated with local origination programming.

§ 76.1213 Other basic cable programming expenses.

This account shall include all basic cable programming expenses that were not included in Accounts 1209 through 1212.

§ 76.1214 Cable programming service expense.

This account shall be used for reporting purposes to summarize Accounts __ 1215 through 1218.

§ 76.1215 Cable programming service satellite programming expense.

This account shall include all expenses associated with procuring satellite programming on the cable programming service tiers.

§ 76.1216 Cable programming service retransmission consent expense.

This account shall include all expenses associated with retransmission consent on the cable programming service tiers.

§ 76.1217 Cable programming service local origination expense.

This account shall include all expenses associated with local origination programming on the cable programming service tiers.

§ 76.1218 Other cable programming service expense.

This account shall include all cable programming service expenses that were not included in Accounts 1215 through 1218.

§ 76.1219 Depreciation and amortization expenses.

This account shall summarize for reporting purposes the contents of Accounts 1220 through 1225.

§ 76.1220 Depreciation expense--cable services plant in service.

This account shall include the depreciation expense of capitalized costs in Accounts 1139 through 1151, inclusive.

§ 76.1221 Depreciation expense--property held for future cable services use.

This account shall include the depreciation expense of capitalized costs included in the Property Held for Future Cable Services Use account.

§ 76.1222 Amortization expense--tangible.

This account shall include only the amortization of costs included in the Capital Leases account and the Leasehold Improvements account.

§ 76.1223 Amortization expense--intangible.

This account shall include the amortization of costs included in the Intangibles account.

§ 76.1224 Amortization expense--other.

(a) This account shall include only the amortization of costs included in the Cable Services Plant Adjustment account.

(b) This account shall also include lump-sum write offs of amounts of plant acquisition adjustment.

(c) Subsidiary records shall be maintained so as to show that character of the amounts contained in this account.

§ 76.1225 Other property, plant and equipment expenses

(a) This account shall include all expenses associated with the following:

(1) Property held for future cable use expenses; and

(2) Costs incurred in provisioning material and supplies, including office supplies. This includes receiving and stocking, filling requisitions from stock, monitoring and replenishing stock levels, delivery of material, storage, loading or unloading and administering the reuse or refurbishment of material. Also included are adjustments resulting from the annual or more frequent inventory of material and supplies. Credits shall be made to this account for amounts transferred to construction and/or to plant specific operations expense. These costs are to be cleared by adding to the cost of material and supplies a suitable loading charge.

§ 76.1226 Cable system operations expenses.

(a) This account shall include the following expenses associated with operating the cable system:

- (1) The cost of electrical power used to operate the cable system.
- (2) Costs incurred in testing cable services facilities from a testing facility (test desk or other testing system) to determine the condition of plant on either a routine basis or prior to assignment of the facilities; receiving, recording and analyzing trouble reports; testing to determine the nature and location of reported trouble condition; and dispatching repair persons or otherwise initiating corrective action.
- (3) Costs incurred in the general administration of plant operations. This includes supervising plant operations; planning, coordinating and monitoring plant operations; and performing staff work such as developing methods and procedures, preparing and conducting training (except on-the-job training) and coordinating safety programs. Credits shall be made to this account for amounts transferred to Construction accounts. These amounts shall be computed on the basis of direct labor hours.
- (4) Costs incurred in the general engineering of the cable services plant which are not directly chargeable to an undertaking or project. This includes developing input to the fundamental planning process, performing preliminary work or advance planning in connection with potential undertakings, and performing special studies of an engineering nature. Credits shall be made to this account for amounts transferred to Construction accounts. These amounts shall be computed on the basis of direct labor hours.

§ 76.1227 Marketing.

(a) This account shall include the following expenses associated with establishing and servicing customer accounts:

- (1) Costs incurred in performing administrative activities related to marketing products and services. This includes competitive analysis, product and service identification and specification, test market planning, demand forecasting, product life cycle analysis, pricing analysis, and identification and establishment of distribution channels.
- (2) Costs incurred in selling products and services. This includes determination of individual customer needs, development and presentation of customer proposals, sales order preparation and handling, and preparation of sales records.
- (3) Costs incurred in developing and implementing promotional strategies to stimulate the purchase of products and services. This excludes nonproduct-related advertising, such as corporate image, stock and bond issue and employment advertisements, which shall be included in the appropriate functional accounts.

§ 76.1228 Customer services.

(a) This account shall include costs incurred in establishing and servicing customer accounts. This includes:

- (1) Initiating customer service orders and records;
- (2) Maintaining and billing customer accounts;
- (3) Collecting and investigating customer accounts, including collecting revenues, reporting receipts, administering collection treatment, and handling contacts with customers regarding adjustments of bills;

- (4) Collecting and reporting pay station receipts; and
- (5) Instructing customers in the use of products and services.

§ 76.1229 Executive and planning.

(a) This account shall include the following expenses:

(1) Costs incurred in formulating corporate policy and in providing overall administration and management. Included are the pay, fees and expenses of boards of directors or similar policy boards and all board-designated officers of the company and their office staffs, e.g., secretaries and staff assistants.

(2) Costs incurred in developing and evaluating long-term courses of action for the future operations of the company. This includes performing corporate organization and integrated long-range planning, including management studies, options and contingency plans, and economic strategic analysis.

§ 76.1230 General and administrative.

(a) This account shall include the following expenses:

(1) Costs incurred in providing accounting and financial services. Accounting services include payroll and disbursements, property accounting, capital recovery, regulatory accounting (revenue requirements, settlements and corollary cost accounting), non-customer billing, tax accounting, internal and external auditing, capital and operating budget analysis and control, and general accounting (accounting principles and procedures and journals, ledgers, and financial reports). Financial services include banking operations, cash management, benefit investment fund management (including actuarial services), securities management, debt trust administration, corporate financial planning and analysis, and internal cashier services.

(2) Costs incurred in maintaining relations with government, regulators, other companies and the general public. This includes:

- (i) Reviewing existing or pending legislation;
- (ii) Preparing and presenting information for regulatory purposes;
- (iii) Performing public relations and non-product-related corporate image advertising activities;
- (iv) Administering relations, including negotiating contracts, but excluding sales contracts; and
- (v) Administering investor relations.

(3) Costs incurred in performing personnel administration activities. This includes:

- (i) Equal Employment Opportunity and Affirmative Action Programs;
- (ii) Employee data for forecasting, planning and reporting;
- (ii) General employment services;
- (iii) Occupational medical services;
- (iv) Job analysis and salary programs;
- (v) Labor relations activities;

(vi) Personnel development and staffing services, including counseling, career planning, promotion and transfer programs;

(vii) Personnel policy development;

(viii) Employee communications;

(ix) Benefit administration;

(x) Employee activity programs;

(xi) Employee safety programs; and

(xii) Nontechnical training course development and presentation.

(4) Expenses incurred in providing information management, including costs associated with planning, developing, testing, implementing and maintaining data bases and application systems for computers.

(5) Expenses incurred for the provision of legal services. This includes conducting and coordinating litigation, providing guidance on regulatory and labor matters, preparing, reviewing and filing patents and contracts and interpreting legislation. Also included are court costs, filing fees, and the costs of outside counsel, depositions, transcripts and witnesses.

(6) Expenses incurred in procuring material and supplies, including office supplies. This includes analyzing and evaluating suppliers' products, selecting appropriate suppliers, negotiating supply contracts, placing purchase orders, expediting and controlling orders placed for material, developing standards for material purchased and administering vendor or user claims.

(7) Expenses incurred in making planned search or critical investigation aimed at discovery of new knowledge. It also includes translating research findings into a plan or design for a new product or process or for a significant improvement to an existing product or process, whether intended for sale or use. This excludes making routine alterations to existing products, processes, and other ongoing operations even though those alterations may represent improvements.

(8) Costs incurred in performing other general administrative activities not directly charged to the user, and not provided for in other accounts. This includes providing general reference libraries, food services (e.g., cafeterias, lunch rooms and vending facilities), archives, general security investigation services, operating official private branch exchanges in the conduct of the business, and telecommunications and mail services. Also included are payments in settlement of accident and damage claims, insurance premiums for protection against losses and damages, direct benefit payments to or on behalf of retired and separated employees, accident and sickness disability payments, supplemental payments to employees while in governmental service, death payments, and other miscellaneous costs of a corporate nature. This account excludes the cost of office services, which are to be included in the accounts appropriate for the activities supported.

§ 76.1231 Provision for uncollectible notes receivable.

This account shall be charged with amounts concurrently credited to the Notes Receivable account, or to the Notes Receivable Allowance account, when such allowance is maintained.

§ 76.1232 Instructions for Other Income Accounts

Structure of Other Income Accounts. The Other Income Accounts are designed to reflect both operating and nonoperating income items including

taxes, extraordinary items and other income and expense items not properly included elsewhere.

§ 76.1233 Contents of accounts

Other Operating Income and Expense accounts are intended to record the results of transactions, events or circumstances during the periods which are incidental or peripheral to the major or central operations of the company. They shall include all items of an operating nature as incidental work performed for others not provided for elsewhere. Whenever practicable the inflows and outflows associated with a transaction, event or circumstances shall be matched and the results shown as a net gain or loss.

§ 76.1234 Other operating income and expenses.

(a) This account shall include the following operating income and expenses:

(1) Profits realized from custom work (plant construction) performed for others incident to the company's regulated cable services operations. The records supporting the entries in this account shall be maintained with sufficient particularity to identify separately the revenue and costs associated with each undertaking.

(2) A return on investment for the use of regulated property plant and equipment to provide nonregulated products and services.

(3) All gains and losses resulting from the exchange of foreign currency. Transaction (realized) gains or losses shall be measured based on the exchange rate in effect on the transaction date. Unrealized gains or losses shall be measured based on the exchange rate in effect at the balance sheet date.

(4) Gains or losses resulting from the disposition of land or artworks.

(5) Gains or losses resulting from transactions, events or circumstances which are of an operational nature, but occur irregularly or are peripheral to the major or central operations of the company and not provided for elsewhere.

§ 76.1235 Operating taxes.

(a) The Operating Tax account shall reflect the taxes arising from the central operations of the company.

(b) This account shall be charged and the Unamortized Operating Investment Tax Credits--Net account, shall be credited with investment tax credits generated from qualified expenditures related to regulated operations which the company defers rather than recognizes currently in income.

(c) This account shall be credited and the Unamortized Operating Investment Tax Credits - Net account shall be charged ratably with the amortization of each year's investment tax credits included in the Unamortized Operating Investment Tax Credits - Net account for investment services for ratemaking purposes. Such amortization shall be determined in relation to the period of time used for computing book depreciation on the property with respect to which the tax credits relate.

(d) This account shall be charged and the Income Taxes--Accrued account, shall be credited for the amount of Federal Income Taxes for the current period. This account shall also reflect subsequent adjustments to amounts previously charged. Taxes should be accrued each month on an estimated basis and adjustments made as later data becomes available. Tax credits, other than investment tax credits, if normalized, shall be recorded consistent with the accounting for investment tax credits and shall be amortized to income as directed by this Commission. No entries shall be made to this account to reflect interperiod tax allocations.

(e) This account shall be charged and the Income Taxes-- Accrued account, shall be credited for the amount of state and local income taxes for the current period. This account shall also reflect subsequent adjustments to amounts previously charged. Taxes should be accrued each month on an estimated basis and adjustments made as later data becomes available. No entries shall be made to this account to reflect interperiod tax allocations.

(f) This account shall be charged and the Other Taxes--Accrued account, shall be credited for all taxes, other than Federal, state, and local income taxes and payroll related taxes, related to regulated operations applicable to current periods. Among the items includable in this account are property, gross receipts, franchise and capital stock taxes; this account shall also reflect subsequent adjustments to amounts previously charged.

(g) Special assessments for street and other improvements and special benefit taxes, such as water taxes and the like, shall be included in the operating expense accounts or investment accounts, as may be appropriate.

(h) Discounts allowed for prompt payment of taxes shall be credited to the account to which the taxes are chargeable.

(i) Interest on tax assessments which are not paid when due shall be included in the Interest and Related Items account.

(j) Taxes paid by the company under tax-free covenants on indebtedness shall be charged to the Nonoperating Income and Expense account.

(k) Sales and use taxes shall be accounted for, so far as practicable, as part of the cost of the items to which the taxes relate.

(l) Taxes on rented telecommunications plant which are borne by the lessee shall be credited by the owners to the Miscellaneous Revenue account, and shall be charged by the lessee to the appropriate Plant Specific Operations Expense account.

§ 76.1236 Nonoperating income and expense.

(a) The nonoperating income and expense accounts are intended to record the results of transactions, events and circumstances affecting the company during a period and which are not operational in nature. They shall include such items as nonoperating taxes, dividend income and interest income. Whenever practicable the inflows and outflows associated with a transaction or event shall be matched and the result shown as a net gain or loss.

(b) This account shall include dividends on investments in common and preferred stock, which is the property of the company, whether such stock is owned by the company and held in its treasury, or deposited in trust (except in sinking or other funds, or otherwise controlled. These accounts shall not include dividends or other returns on securities issued or assumed by the company and held by or for it, whether pledged as collateral, or held in its treasury, in special deposits, or in sinking or other funds. Dividends on stocks of other companies held in sinking or other funds shall be credited to the this account. Dividends received and receivable from affiliated companies accounted for on the equity method shall be included in the Investments in Affiliated Companies account, as a reduction of the carrying value of the investments.

(c) This account shall include interest on securities, including notes and other evidences of indebtedness, which are the property of the company, whether such securities are owned by the company and held in its treasury, or deposited in trust (except in sinking or other funds, see paragraph (d) to this section) or otherwise controlled. It shall also include interest on bank balances, certificates of deposits, open accounts, and other analogous items. There shall be included in this account for each month the applicable amount requisite to extinguish, during the interval between the date of acquisition and date of maturity, the difference between the purchase price and the par